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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, January 13

NIKKEI (Page 2) (Full)
January 14, 2010

10:01 Received a salute from an honor guard at the Defense Ministry.
Met with Defense Minister Kitazawa and others. Attended a meeting of
the association of senior SDF members.
11:08 Met Deputy Chief Cabinet Secretary Matsuno at the Prime
Minister's Official Residence.
14:00 Met participants in the "World Youth Ship" project and others.
Later met incoming and outgoing superintendent general of the
Metropolitan Police Department Ikeda and Yonemura.
15:02 Met National Strategy Minister Sengoku and Cabinet Office
Senior Vice Minister Furukawa. Joined by Deputy Chief Cabinet
Secretary Matsui.
16:14 Met Transport Minister Maehara. Followed by Finance Minister
Kan. Joined by Kyocera Honorary Chairman Kazuo Inamori and Maehara;
Chief Cabinet Secretary Hirano also present. Kan and Maehara stayed

behind.

18:35 Attended a gathering of the association of senior SDF officials.

19:31 Arrived at his official residential quarters.

4) Okada, Clinton remain far apart over Futenma and China; future of talks to deepen bilateral alliance remains unclear

YOMIURI (Page 2) (Full)
January 14, 2010

Satoshi Ogawa, Chikara Shima, Honolulu

At a foreign ministerial meeting held on Jan. 12 (Jan. 13, Japan time), the governments of Japan and the United States agreed to begin talks on deepening the bilateral alliance on the occasion of the 50th anniversary of the revision of the Japan-U.S. Security Treaty. Nevertheless, the gap in perceptions of China's economic

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growth and military buildup, in addition to the rift over the issue of relocating the U.S. Marine Corps' Futenma Air Station in Okinawa, is often mentioned. The future course of the envisaged talks remains to be seen.

"Unless Japan and the United States share common perceptions, we will not be able to come up with what must be done next," Foreign Minister Katsuya Okada said about the security situation in China at a press conference after the meeting on Jan. 12.

Security officials in Japan and the United States share the view that the threat of China is growing stronger in East Asia. The United States is concerned about that common perception even though it was rarely concerned about it during the period when the Liberal Democratic Party was in power. This concern comes from the Hatoyama administration's tilt toward China. Last December when Japan-U.S. relations were tense, some 140 Democratic Party of Japan lawmakers visited China.

In the talks on deepening the bilateral alliance, Japan and the United States are likely to focus on sharing the same perceptions of the situation on a political level.

The Hatoyama administration is expected to propose a review of the Japan-U.S. Status of Forces Agreement and other matters, but chances appear slim for Washington to respond positively unless the Futenma is settled. The two countries might end up working toward different objectives.

The Obama administration is also struggling with how to deal with Japan. At the meeting, Secretary of State Hillary Clinton strongly urged Okada to settle the Futenma issue at an early date by implementing the existing relocation plan. In a press conference that followed the meeting, an American journalist indicated that the U.S. side might have failed to obtain a promise from Japan to abide by the bilateral agreement on Futenma. In response, the Secretary simply said: "We are aware of the problems (the Hatoyama administration) is facing."

The fact that the meeting took place in Hawaii, not in Washington, seems to show Washington's puzzlement as well. "The American media are becoming increasingly interested in deteriorating U.S.-Japan relations," a U.S. government source explained. "We chose Hawaii because it is far away from Washington where the media outlets are concentrated."

5) Prospects for Futenma issue remain unclear after Okada-Clinton talks; conflict avoided by agreeing to start talks on deepening alliance

NIKKEI (Page 2) (Full)
January 14, 2010

Nahoko Yamauchi in Honolulu

The Japan-U.S. foreign ministerial talks held on the morning of Jan.

12 (before dawn on Jan. 13, Japan time) made no progress on the issue of the relocation of the Futenma Air Station in Okinawa. On the other hand, the two sides agreed on starting talks on deepening the alliance on the occasion of the 50th anniversary of the revision of the Japan-U.S. security treaty. The alliance talks are meant to be a "clamp" (to hold the alliance together) in order to avoid

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conflict, but the scenario for the Japanese side's reaching a solution to the Futenma issue by May remains unclear.

Secretary Hillary Clinton pressed again for Futenma's relocation to the coastal area of Camp Schwab at her talks with Foreign Minister Katsuya Okada, saying: "The conclusion reached in the current U.S. Forces Japan (USFJ) realignment road map is the result of a long process." While the Obama administration had agreed to holding the foreign ministerial meeting, its position remains unchanged.

Various relocation proposals have come up on the Japanese side in the past but they were rejected. They included a plan to integrate the Futenma base with the Kadena Air Base and relocation to Ie Island. A U.S. government source asserted that "the reexamination of these proposals would not take more than two weeks," indicating that the U.S. side will continue to demand an early solution before May.

The White House is also concerned about criticism of Japan in Congress. The chairpersons of the House of Representatives Foreign Affairs and Armed Services Committees sent a letter to Prime Minister Yukio Hatoyama in early January, asking for the early implementation of the USFJ realignment plans. In case of a setback in the relocation of 8,000 U.S. Marines in Okinawa to Guam, this will also affect base construction work in Guam.

A gap also exists on the talks to deepen the alliance. The U.S. side has its eyes on the volatile U.S.-China relationship, including such issues as arms sales to Taiwan. On her way to Hawaii, Clinton talked about the importance of China to reporters on the plane, saying: "We hope for a mature U.S.-China relationship that does not become derailed even when there are differences." Without China, the top buyer of U.S. government bonds, America cannot rehabilitate its economy.

However, adopting too weak a stance will tip the balance in relations with China, which is expanding militarily. The Obama administration looks to Japan and Australia to serve as a restraint on China. It appears that the advice of Harvard University's Professor Joseph Nye that "ignoring Japan is undesirable strategically" led to the policy shift this time.

The U.S.'s goal in the alliance talks is to expand the scope of the Japan-U.S. security treaty to the whole world, in order to contain international terrorism, while the Hatoyama administration's image of the alliance is unclear. In the end, there can be no progress in the alliance talks without building a relationship of trust in the Futenma relocation issue.

Timetable of forthcoming events relating to Japan-U.S. relations

Jan. 19 Joint statement on 50th anniversary of security treaty revision

Jan. 24 Nago mayoral election

January Three ruling coalition parties to submit new proposals on Futenma relocation site

May Decision on new relocation plan

First half of 2010 Meeting of Japanese, U.S. cabinet ministers in charge of foreign affairs, defense (two-plus-two)

July House of Councillors election

November Okinawa gubernatorial election

President Obama visits Japan for APEC Summit

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6) Secretary of State Clinton: Japan's eco-car promotion program "exclusive"

Hiroyuki Kano, Honolulu

During her talks with Foreign Minister Katsuya Okada on the morning of Jan. 12 (early morning of Jan. 13, Japan time), U.S. Secretary of State Hillary Rodham Clinton stated on the Japanese government's program of offering tax breaks on purchase of eco-friendly cars:

"There is growing concern in U.S. Congress that the program is exclusive," expressing the U.S. side's displeasure that the program excludes American automobiles. She called on Okada to give consideration to the dissatisfaction with the program in the United States. The two top Japanese and U.S. diplomats agreed to maintain close contact in the future. Last December U.S. Trade Representative (USTR) made a request to the Ministry of Economy, Trade, and Industry (METI) that the system be changed. In addition, U.S. Congressman Betty Sutton (Democrat) submitted a resolution to Congress on Jan. 6 saying Japan's eco-car program is unfair to American automobile manufacturers.

Japan-U.S. economic relations might become strained, auto companies concerned about possible foreign pressure

Kosei Watanabe, Hirohiko Yamaguchi, Detroit

Secretary Clinton expressed concern about Japan's eco-car program, saying "It is exclusive." This fact implies the possibility that the strain in the bilateral alliance caused by Tokyo's handling of the relocation of U.S. Marine Corps Air Station Futenma is gradually spreading to the trade area. While building momentum, U.S. Congress is certain to demand that Japan change the program. As a result, the Japanese government will likely be forced to respond in some way. However, if the program is applied to import cars, it will have an impact on the sales of Japanese auto makers, which are beginning to recover by taking advantage of the eco-car promotion program.

A Japanese auto-manufacturing industry official commented on the U.S. side's concern: "The system was not made to discriminate on the basis of auto companies' nationalities." However, it is certain that the eco-car promotion program has become a driving force for the new car sales of Japanese automakers.

The sales of new Japanese cars for 2009 dropped 10 percent, compared with those of 2008, gradually recovering the reduction percentage. However, the sales of import cars declined 20 percent. The eco-car program does not apply to most import cars. Import car companies pointed out that the program is puts foreign automakers at a disadvantage, because they give priority to high-speed operation whereas Japan's fuel gasoline consumption standards attach importance to low-speed operation.

Some have contended that it is difficult to compare between the sales of Japanese cars and American cars, because most of the Japanese cars sold in the United States are produced in the U.S. and the number of those cars that are exported is small. However, Clinton's remarks were apparently aimed at using the eco-car program to exert "foreign pressure or gaiatsu" on the Hatoyama administration, or as a sort of tool for "Japan-bashing" (diplomatic

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source).

However, if the eco-car program is applied to import cars due to "foreign pressure," it will have a negative impact on the rising tide of Japanese companies, which have been revising their performance upward.

7) Gist of Okada-Clinton talks and their joint news conference

YOMIURI (Page 4) (Full)
January 14, 2010

Following is the gist of the Japan-U.S. foreign ministerial talks and the joint news conference held after the meeting:

Foreign ministerial talks

Japan-U.S. alliance

Okada: This year marks the 50th anniversary of the revision of the Japan-U.S. security treaty. We will cooperate to further deepen the Japan-U.S. alliance in a manner appropriate for the 21st century.

(The two sides agreed to issue a joint statement by the Japanese and U.S. cabinet ministers in charge of foreign affairs and defense on Jan. 19, the 50th anniversary, and to hold a meeting of the Japan-U.S. Security Consultative Committee in the first half of this year.)

Okada: I would like to suggest the issuing of a new document to replace the 1996 Japan-U.S. Joint Declaration on Security, in which the leaders of the two countries redefined the security alliance.

Futenma relocation

Okada: The ruling coalition parties have begun the examination process. Both Prime Minister Hatoyama and I are saying that we will reach a conclusion by May.

Clinton: The conclusion reached (in the current relocation plan) is the result of a very long process. It is the best option.

Investigation of secret agreements

Okada: (The investigation) must not have an adverse effect on the operation of the Japan-U.S. security arrangements. We will keep in close contact.

North Korea

Clinton: It is important to push for the resumption of the Six-Party Talks.

Okada: North Korea is saying that negotiations on a peace treaty should take place. We are concerned that this may just be a delaying tactic.

Joint news conference

Futenma relocation

Clinton: We hope that (Japan) will keep its promises (on U.S. Forces

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Japan realignment,) including Futenma relocation. We respect the procedures the Japanese government is undertaking to reach a solution, but our position remains unchanged.

Okada: We will come up with a proper conclusion by May and minimize the impact on the Japan-U.S. alliance. It is not true that other discussions cannot take place just because there is the Futenma issue.

Talks to deepen the alliance

Okada: We will start talks to ensure that Japan and the U.S. share a common understanding of the security environment in Asia and the Pacific. One issue is how to view China.

8) Shii: JCP hopes for friendship with U.S.

YOMIURI (Page 4) (Abridged)
January 14, 2010

The Japanese Communist Party kicked off its 25th congress yesterday in Atami, Shizuoka Prefecture. JCP Presidium Chairman Shii, in his Central Committee report, referred to relations with the United States and expressed his hope for a better relationship with the United States. "We hope for a genuine friendship with the United States," Shii said. It is unusual for the JCP leader to show a

positive stance of trying to move the party's relations with the United States forward. The JCP has changed its usual out-and-out stance of criticizing the United States since U.S. President Obama, who has advocated eliminating nuclear weapons, was sworn in. The JCP is aiming to give shape to its policy switchover to a "realistic, flexible policy line." Given this, Shii apparently intends to realize this changeover.

In his keynote speech at the party congress, Shii gave high marks to Obama's advocacy of nuclear elimination in his Prague speech delivered in April last year. "It's a welcome, forward-looking change," Shii said.

On the other hand, Shii also emphasized the necessity of revising the Japan-U.S. Status of Forces Agreement and ensuring the safety of U.S. military bases in Japan in order for the JCP to build a friendship with the United States. "The U.S. government does not appear to be changing its hegemonic control of Japan," Shii said, adding: "This is a far cry from what the president calls an 'equal partner,' and the fact is that Japan remains subservient (to the U.S.)."

9) MSDF mission in Indian Ocean to end tomorrow

YOMIURI (Page 2) (Full)
January 14, 2010

The Maritime Self-Defense Force is currently operating in the Indian Ocean, where its ships have been engaged in refueling activities under a newly enacted law for special antiterror measures. This special measures law, however, will expire tomorrow. The MSDF will wind up its refueling mission in the Indian Ocean and recall its vessels there.

In the wake of the simultaneous terror attacks against the United States in September 2001, Japan began in the Indian Ocean refueling

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activities in support of foreign naval vessels engaged in antiterror operations. The MSDF refueling mission, though once temporarily suspended, has continued for about eight years

10) Bankruptcies reach highest number ever recorded since 2001:
Cases ascribable to recession top 80 percent in 2009

YOMIURI (Page 4) (Full)
January 14, 2010

Teikoku Databank, a private research company, on Jan. 13 reported that the number of corporate bankruptcies (with liabilities worth over 10 million yen) in 2009 reached 13,306, up 4.9 percent from the previous year, marking the third consecutive increase. This figure is the largest since 2001, when comparable data became available. Total debt came to 6.8101 trillion yen, down 42.8 percent from the preceding year.

Large-scale bankruptcies, which occurred in succession right after the financial crisis in the fall of 2008, decreased last year, while small-size bankruptcies increased. Recession-type bankruptcies marked the highest-ever level, commanding 81.4 percent of all bankruptcies. Breaking down the bankruptcies according to business types, those in the manufacturing sector jumped to 2,084, up 21.9 percent from the previous year.

Meanwhile, the number of bankruptcies in 2009 as reported by Tokyo Shoko Research on the 13th stood at 15,480, down 1.06 percent from the previous year, falling below the preceding year's level for the first time in four years. The figure is the 19th highest since 1952, when the company started tallying the number of bankruptcies. Teikoku Databank counts cases that underwent legal liquidation, while Tokyo Shoko Research counts cases including discretionary liquidation, such as suspension of bank transactions.

11) FTA preparatory meeting on the 26th

NIKKEI (Page 5) (Full)

January 14, 2010

The Ministry of Foreign Affairs and Trade of South Korea on Jan. 13 revealed that it will hold a bureau-director-general-level preparatory meeting of Japan, China and South Korea in Seoul on the 26th to pave the way for a free trade agreement among the three countries. The three countries had earlier agreed at such settings as summit talks in October last year, etc. that their governments take part in FTA studies promoted at the private sector-level and get down to preparations in the first half of this year.

12) Kyocera Chairman Inamori to become new JAL CEO

NIKKEI (Page 1) (Excerpt)
January 14, 2010

It was decided yesterday that Kyocera Corp. Honorary Chairman Kazuo Inamori will head struggling Japan Airlines Corp. as chief executive officer (CEO). He accepted the offer presented by the Enterprise Turnaround Initiative Corporation of Japan and the government. He will work for three or four days a week because of his advanced age and receive no pay. Although he has never worked in the transport industry, the turnaround body and the government pin hopes on the business skills of Inamori, focusing on the fact that he built

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Kyocera Corp. into a world-class company.

13) Prosecutors search Ozawa-linked organizations

YOMIURI (Top play) (Excerpt)
January 14, 2010

The Tokyo District Public Prosecutors Office's special investigation team searched yesterday afternoon several offices in connection with a case in which Rikuzan-kai, the political fund management organization of Democratic Party of Japan (DPJ) Secretary General Ichiro Ozawa, failed to enter in its political funding report the money paid for the purchase of land in 2004. The places searched included the office of DPJ House of Representatives member Tomohiro Ishikawa, 36, who handled clerical work at Rikuzan-kai, the Diet members office building (in Chiyoda Ward, Tokyo), and the headquarters of the major general contractor Kajima (in Minato Ward, Tokyo). The prosecutors deemed it necessary to search the offices for evidence after Ozawa failed to adequately respond to a request by the investigation unit to submit to voluntary questioning over the case to find out how the money, 400 million yen, was raised for the purchase of the land.

14) PNP presents two ideas about management structure of postal group

YOMIURI (Page 4) (Excerpts)
January 14, 2010

The People's New Party (PNP) yesterday revealed its plan for reforming the Japan Post Group, including its management structure, prior to the start of work to draft a postal reform basic bill (tentative name) the government plans to submit to the upcoming ordinary Diet session. The PNP plan includes two ideas about the structure of the business management of the group: One is a one-company system that would integrate Japan Post Service Co., Japan Post Network Co., Japan Post Bank Co., Japan Post Insurance Co., and their holding company, Japan Post Holdings Co. Another is a three-company system in which Japan Post Bank and Japan Post Insurance would be placed under a holding company to be formed by integrating Japan Post Holdings, Japan Post Service, and Japan Post Network.

In either case, the government intends to hold more than two thirds of the shares in the integrated companies and the holding company in order to place their management under its control. It also plans to sell the remaining shares to local governments on a priority basis.

ZUMWALT